

Consolidated Financial Highlights for the First Half of FY2019

(From April 1, 2019 to September 30, 2019)

1. **Consolidated Financial Results
for the First Half of FY2019**
2. **Forecast for FY2019**
3. **Business Strategy**

NIHON KOHDEN CORPORATION

(Ticker Code: 6849)

November 8, 2019

Fighting Disease with Electronics



Consolidated Financial Results 1 for the First Half of FY2019

1) Consolidated Financial Results for the 1st Half of FY2019

	First half FY2018	First half FY2019		
		Original forecast announced May 13	Actual	YoY (%)
Sales	79,050	84,500	89,735	13.5
Domestic Sales	57,857	-	67,445	16.6
Overseas Sales	21,192	-	22,289	5.2
Gross Profit (Gross Profit Margin)	38,649 48.9%	-	43,354 48.3%	12.2
Operating Income (Operating Income Margin)	4,260 5.4%	4,500 5.3%	7,009 7.8%	64.5
Ordinary Income	5,270	4,500	6,334	20.2
Income Attributable to Owners of Parent	3,916	3,000	3,943	0.7
Average exchange rate	First half FY2018		First half FY2019	
1 US Dollar	109.7 yen		109.2 yen	
1 EURO	129.2 yen		121.9 yen	

(Amounts of less than ¥1 million are rounded down)

+7% on a local currency basis

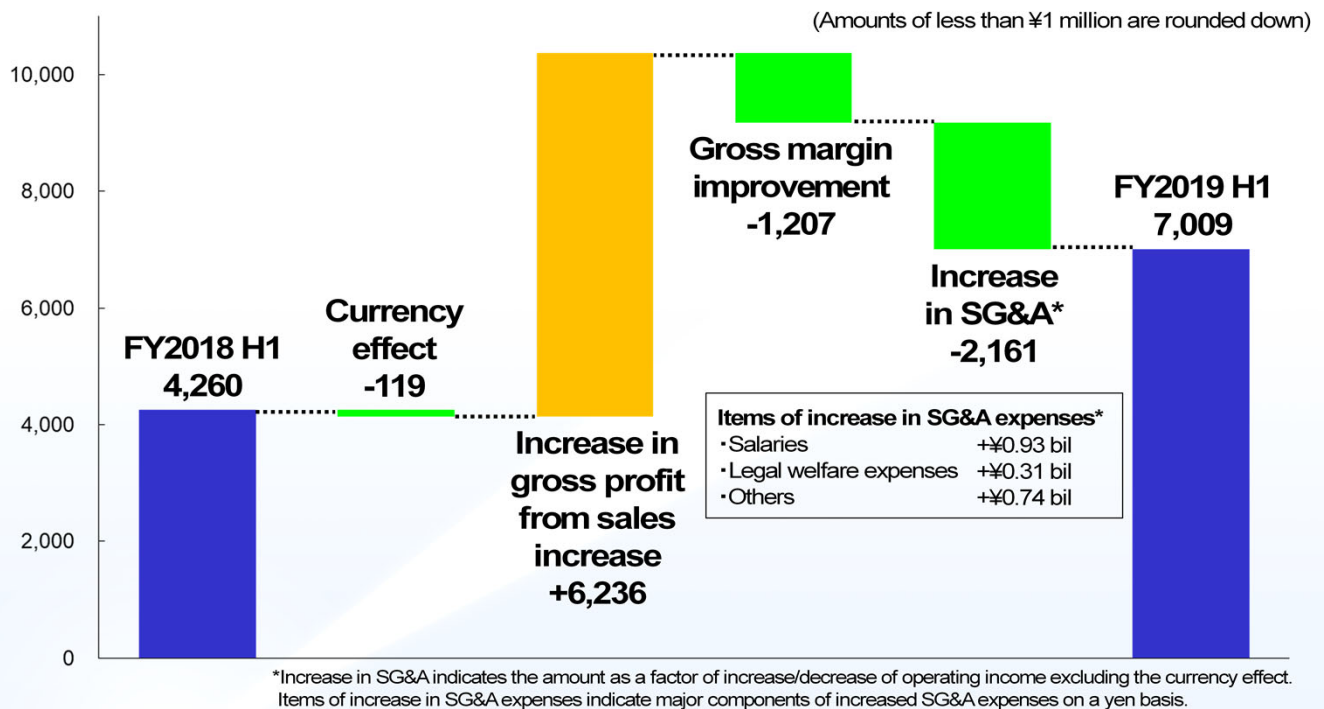
In-house Sales ratio
FY2018 H1: 64.1% → FY2019 H1: 64.3%

Foreign exchange gains/losses:
FY2018 H1: ¥701 mil gains → FY2019 H1: ¥855 mil losses

Extraordinary losses in FY2019 H1
Settlement package: ¥440 mil
Demolition cost: ¥133 mil

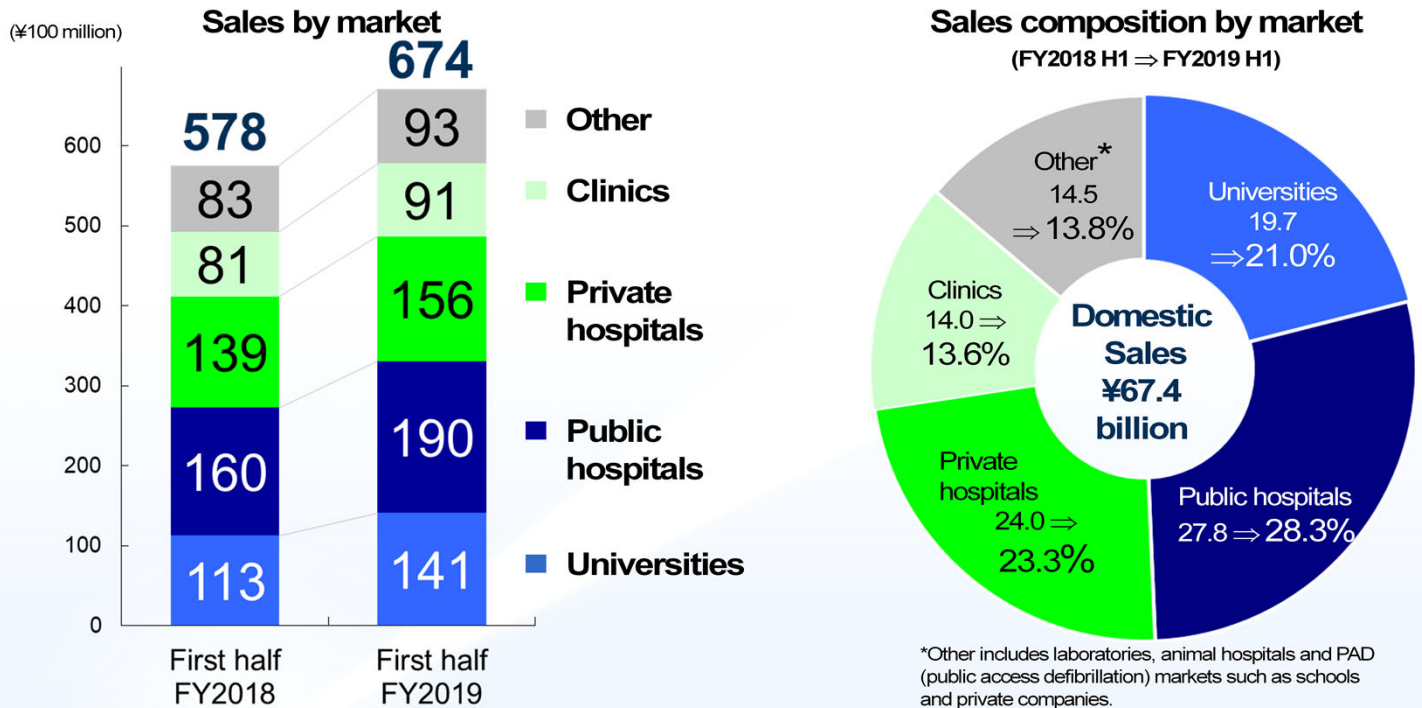
- Overall sales increased 13.5% over the 1st half of FY2018 to ¥89.7 billion. Domestic sales increased 16.6% to ¥67.4 billion. Overseas sales increased 5.2% to ¥22.2 billion, a 7% growth on a local currency basis.
- Overall sales exceeded the forecast by ¥5.2 billion, as domestic sales showed strong growth thanks to large orders and a last minute surge in demand, while overseas sales fell short of the forecast.
- Gross profit margin decreased by 60 basis points to 48.3%.
- Operating income increased 64.5% to ¥7 billion not only because of sales increases, but also because some expenses were delayed until the 2nd half of FY2019.
- Ordinary income increased 20.2% to ¥6.3 billion, reflecting foreign exchange losses. Income attributable to owners of parent increased 0.7% to ¥3.9 billion as extraordinary losses were posted.

2) Breakdown of Operating Income



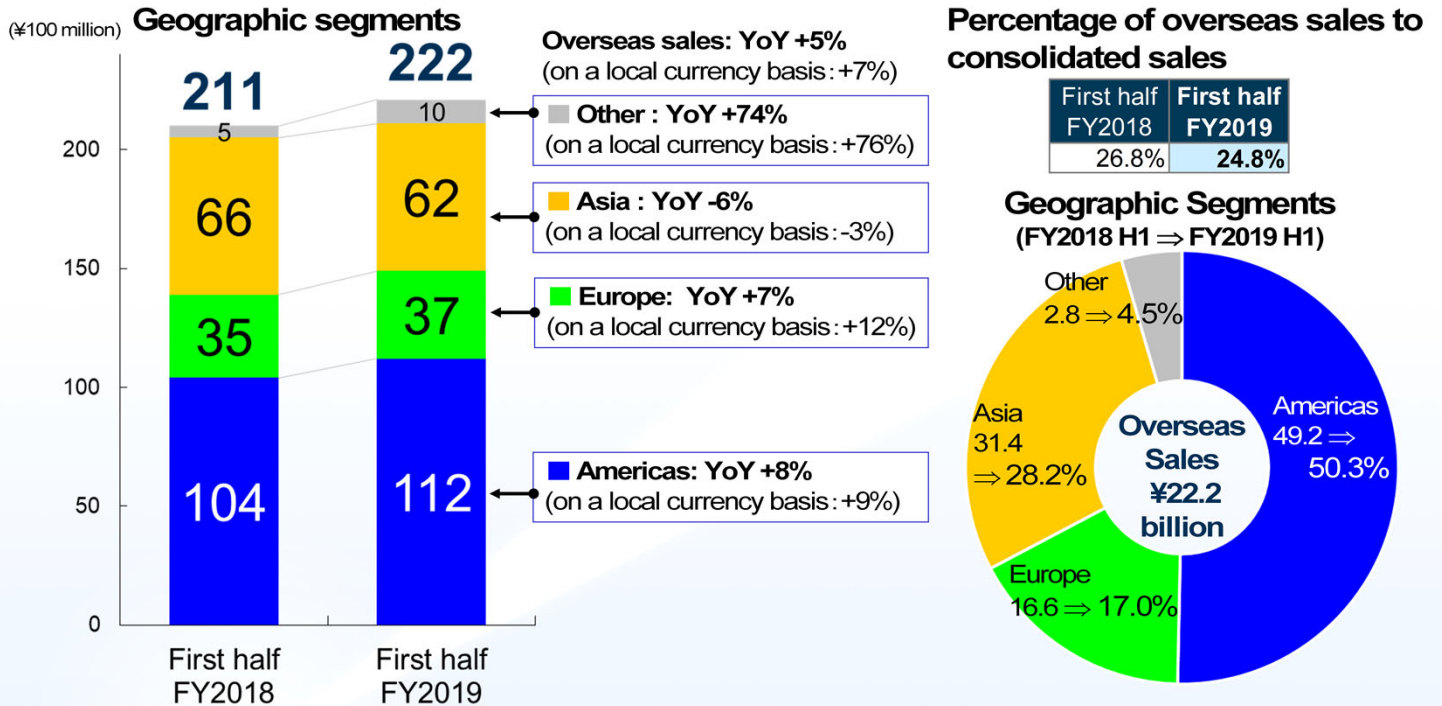
- In the 1st half of FY2019, operating income increased to ¥7 billion from ¥4.2 billion in the 1st half of FY2018.
- Currency effect had a negative impact of ¥0.1 million.
- Increase in gross profit from sales increase was ¥6.2 billion.
- Lower gross margin had a negative impact of ¥1.2 billion due to the falling of prices for large orders and the last minute surge in demand, despite initiatives to improve profitability.
- Increases in SG&A had a negative impact of ¥2.1 billion mainly due to the increase of personnel expenses.

3) Domestic Sales



- Domestic sales increased by ¥9.6 billion to ¥67.4 billion.
- Thanks to the last minute surge in demand before the consumption tax increase, sales in all markets showed double-digit growth. We estimate that the amount of deals pushed forward to the 1st half from the 2nd half was ¥4 billion to ¥5 billion.
- In the university and public hospital market, large orders related to construction of new hospitals also contributed to sales increases. In the private hospital market, both our efforts to enhance sales activities for the small to mid-sized hospitals and new models of bedside monitors contributed to increased sales.
- In the clinic market, sales of new models of hematology instruments increased favorably, and solution proposals for private practice startups also contributed to increased sales.

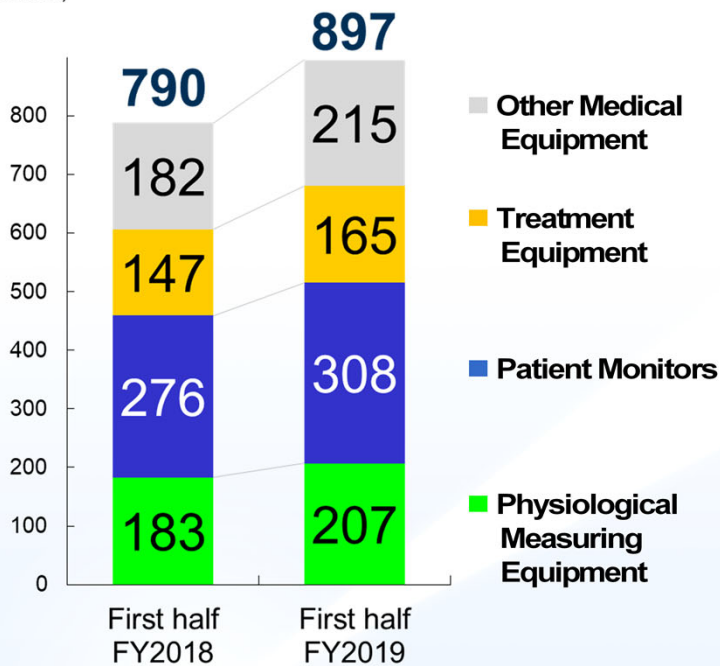
4) Overseas Sales



- Overseas sales increased by ¥1.1 billion to ¥22.2 billion.
- Sales in the Americas increased by ¥0.8 billion to ¥11.2 billion, a 9% growth on a local currency basis. Sales in the U.S. increased favorably in line with our forecast. Sales in Latin America also increased favorably, primarily in Mexico and Colombia.
- Sales in Europe increased by ¥0.2 billion to ¥3.7 billion, a 12% growth on a local currency basis. Sales in Germany and France increased favorably and sales in Turkey also recovered.
- Sales in Asia decreased by ¥0.4 billion to ¥6.2 billion, a 3% decline on a local currency basis. Sales in Southeast Asia and South Korea decreased, while sales in the Middle East and India increased. Sales in China increased on a local currency basis and slightly decreased on a yen basis.
- Sales in Other markets increased due to sales recovery in African countries such as South Africa and Egypt.

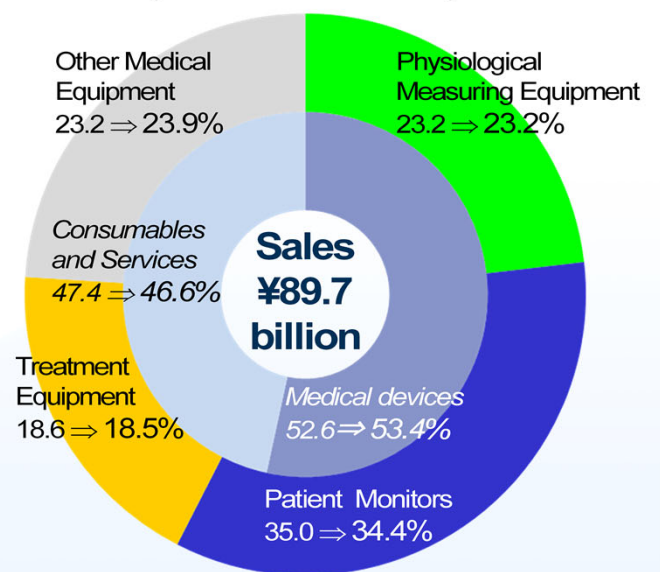
5) Sales by Product Category

(¥100 million)



Sales composition by product category

(FY2018 H1 ⇒ FY2019 H1)



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- Sales by product category are shown above. Sales showed strong growth in all product categories.
- The sales ratio of Consumables and Services were 46.6% as sales of medical devices increased favorably in Japan.

5.1) Physiological Measuring Equipment

	First half FY2018	First half FY2019	YoY (%)	(Sales, millions of yen)
Electroencephalographs	3,448	3,620	5.0	
Electrocardiographs	3,281	3,380	3.0	
Polygraphs for Cath Lab	6,902	8,204	18.9	← Sales of polygraphs for cath lab showed strong growth due to large orders related to construction of new hospitals. Sales of EP catheters also increased favorably.
Other Physiological Measuring Equipment *	4,719	5,577	18.2	← Replacement demand for diagnostic information systems increased favorably thanks to a last minute surge in demand before the consumption tax increase.
Physiological Measuring Equipment	18,351	20,782	13.2	
Domestic Sales	14,387	16,627	15.6	
Overseas Sales	3,964	4,155	4.8	← Sales of EEGs increased and sales of ECGs decreased.

*Other Physiological Measuring Equipment includes diagnostic information systems and products of other companies.



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- Sales of Physiological Measuring Equipment increased 13.2% to ¥20.7 billion.
- Domestic sales increased 15.6% to ¥16.6 billion. Sales in all product segments increased favorably. Especially, sales of polygraphs for cath lab showed strong growth due to large orders related to construction of new hospitals. Sales of EP catheters also increased favorably. Replacement demand for diagnostic information systems increased favorably due to front-load spending of annual budgets.
- Overseas sales increased 4.8% to ¥4.1 billion. Sales of EEGs increased, driven by strong sales in the U.S. Sales of ECGs decreased due to weak sales in Asia.

5.2) Patient Monitors

	First half FY2018	First half FY2019	YoY (%)	(Sales, millions of yen)
Patient Monitors	27,667	30,855	11.5	
Domestic Sales	16,718	19,984	19.5	<p>Sales of bedside monitors showed strong growth due to orders related to construction of new hospitals and introduction of new products. Replacement demand for clinical information systems also increased favorably.</p>
Overseas Sales	10,948	10,870	-0.7	<p>Sales in Asia decreased and sales in the Americas remained flat compared to FY2018 H1. Sales in Europe increased favorably.</p>



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- Sales of Patient Monitors increased 11.5% to ¥30.8 billion.
- Domestic sales increased 19.5% to ¥19.9 billion. Sales of bedside monitors showed strong growth due to orders related to construction of new hospitals and introduction of new products. Replacement demand for clinical information systems also increased favorably.
- Overseas sales decreased 0.7% to ¥10.8 billion, as sales in Asia decreased due to weak sales in Southeast Asia, while sales in Europe increased favorably. In the Americas, sales in the U.S. remained flat compared to the 1st half of FY2018 due to a temporary shipment delay, which has already been resolved.

5.3) Treatment Equipment

	First half FY2018	First half FY2019	YoY (%)
Defibrillators (for Hospital and Ambulance)	2,453	2,879	17.4
AEDs (Automated External Defibrillator)	7,031	7,479	6.4
Pacemakers / ICDs	1,558	1,625	4.3
Ventilators	993	1,603	61.4
Other Treatment Equipment	2,704	2,970	9.8
Treatment Equipment	14,741	16,558	12.3
Domestic Sales	10,528	11,922	13.2
Overseas Sales	4,213	4,635	10.0
(Ref.) AED Unit Sales	44,200	45,000	1.8
Domestic Unit Sales	24,700	26,200	6.1

(Sales, millions of yen)

Domestic: Replacement orders from hospitals and ambulances contributed to strong sales.
International: Sales increased favorably in Europe and Africa.

Domestic: Sales of units increased favorably, supported by new products launch.
International: Sales increased in all area.

Domestic: Sales of Hamilton's ventilators showed strong growth due to orders related to construction of new hospitals. The new in-house ventilator, NKV-330, also contributed to increased sales.

NEW!



Defibrillator
EMS-1052

NEW!



AED
AED-3150



Pacemaker
Zenex MRI



Ventilator
HAMILTON-C1

NEW!



Ventilator
NKV-330

NEW!



Ventilator
NKV-550

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- Sales of Treatment Equipment increased 12.3% to ¥16.5 billion. Domestic sales increased 13.2% to ¥11.9 billion. Overseas sales increased 10% to ¥4.6 billion.
- Sales of defibrillators increased 17.4% to ¥2.8 billion. In Japan, replacement orders from hospitals and ambulances contributed to strong sales. Internationally, sales increased favorably in Europe and Africa.
- Sales of AEDs increased 6.4% to ¥7.4 billion. AED unit sales were 45,000 units. In Japan, sales of units increased favorably, supported by the launch of new products. Internationally, sales increased in all areas.
- Sales of ventilators increased 61.4% to ¥1.6 billion. Sales of Hamilton's ventilators showed strong growth due to orders related to construction of new hospitals. The new in-house ventilator, NKV-330, also contributed to increased sales.

5.4) Other Medical Equipment

	First half FY2018	First half FY2019	YoY (%)	(Sales, millions of yen)
Hematology Analyzers	4,234	4,884	15.3	
Imaging Systems, Medical equipment for study and others *	14,055	16,655	18.5	
Other Medical Equipment	18,290	21,539	17.8	
Domestic Sales	16,223	18,911	16.6	
Overseas Sales	2,066	2,628	27.2	

Sales of hematology instruments showed strong growth in the clinic market. Sales of installation services of medical devices and locally purchased products also increased.

Sales of hematology analyzers showed strong growth in Latin America, the Middle East and Africa. There was a positive impact from the changes in the deferred revenue process for installation services of medical devices in the U.S.

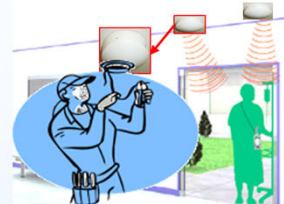
*Includes consumables, installation and maintenance services which are not part of other categories.



Automated hematology analyzer
MEK-9100



Automated hematology analyzer and clinical chemistry analyzer
MEK-1303



Installation and maintenance services

- Sales of Other Medical Equipment increased 17.8% to ¥21.5 billion.
- Domestic sales increased 16.6% to ¥18.9 billion. Sales of hematology instruments showed strong growth in the clinic market. Sales of installation services of medical devices and locally purchased products also increased.
- Overseas sales increased 27.2% to ¥2.6 billion. Sales of hematology analyzers showed strong growth in Latin America, the Middle East and Africa. There was a positive impact from the changes in the deferred revenue process for installation services of medical devices in the U.S.

6) Financial Condition

(Amounts of less than ¥1 million are rounded down)

	FY2018	First half FY2019	Change		FY2018	First half FY2019	Change
Current Assets	132,211	119,780	-12,431	Current Liabilities	48,346	34,618	-13,727
Inventories	28,599	29,540	941	Interest-bearing Debt	406	373	-33
Property, Plant & Equipment	19,945	19,925	-20	Non-current Liabilities	5,282	5,118	-164
Intangible Assets	4,563	4,251	-311	Net Assets	116,087	117,818	1,730
Investments & Other Assets	12,997	13,599	602				
Total Assets	169,717	157,556	-12,160	Total Liabilities & Net Assets	169,717	157,556	-12,160
Inventory Turnover	3.7 months	3.6 months		Equity Ratio	68.4%	74.8%	

- Total assets decreased by ¥12.1 billion to ¥157.5 billion.

7) Capital Investments and R&D Costs

(Amounts of less than ¥1 million are rounded down)

	First half FY2018	First half FY2019	FY2018 Actual	FY2019	
				Original Forecast announced May 13	Revised Forecast announced Nov 5
Capital Investments	1,375	1,609	3,049	4,700	4,600
Depreciation	1,630	1,695	3,542	3,900	3,800
R&D costs	3,741	3,162	7,243	7,600	7,200

● **FY2019 H1 capital investments:**

Molds for new products, measuring equipment and jigs, products for demonstration, production equipment, and equipment for Eastern Japan Logistics Center

● **FY2019 capital investments plan:**

Molds for new products, measuring equipment and jigs, products for demonstration, production equipment, reagent factory in Dubai (¥0.2 bil) and Eastern Japan Logistics Center (¥0.4 bil)

→ As the Center is a leasing logistics facility, investments are only for distribution equipment

- Capital investments and depreciation were ¥1.6 billion, respectively. R&D costs were ¥3.1 billion because some expenses were carried over until the 2nd half of FY2019.
- Reflecting the progress made during the 1st half, the forecasts for FY2019 of capital investments, depreciation and R&D costs were revised to ¥4.6 billion, ¥3.8 billion and ¥7.2 billion, respectively. The reagent factory in Dubai and the Eastern Japan Logistics Center are on track to starting their operations.

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Forecast for FY2019

1) Business Environment

Japan

Japanese Government 2025 future vision of medical /long-term care services

- Differentiate medical institution functions and strengthen collaboration
- Promote integrated community care systems

- At end of FY2018, each prefecture set up policies about role sharing between hospitals and the number of hospital beds converted to long-term care at a coordination conference
- Funds for securing comprehensive medical and long-term care in the communities: FY2019 ¥103.4 bil for medical care

424 public hospitals' names were published in Sep 2019 to encourage them to consider reorganizations

Medical service fee rose by 0.41% accompanying the consumption tax increase in Oct 2019

- Reorganization of medical institution functions will proceed.
- The impact of a surge in demand in response to the consumption tax increase and the reactionary fall should be monitored carefully.

International

U.S. and Europe

- Improve the quality and efficiency of medical care
- Expand IDNs*¹ and strengthen cybersecurity requirements in the U.S.
- Expand GPOs*² in Europe

Emerging Markets

- Uncertain economic outlook, political instability and weakness of currencies in some regions
- Healthcare infrastructure is developing together with economic growth

Overall demand for medical equipment will remain steady

*1 IDN: Integrated Delivery Network *2 GPO: Group Purchasing Organization

- In Japan, medical facilities' functions will be reorganized especially at public hospitals. The impact of the last minute surge in demand before the consumption tax rise and the reactionary fall afterward should be monitored carefully.
- Internationally, IDNs continue to expand and cybersecurity requirements are increasing in the U.S. In emerging countries, healthcare infrastructure is developing together with economic growth, while there is economic uncertainty and political instability in some regions. We expect that overall demand for medical equipment in overseas markets will remain steady.

2) Measures in the 2nd Half of FY2019

TRANSFORM 2020: Transform operations to achieve a highly profitable structure

1 Create high customer value

Launch in-house products with high customer value

New products in FY2018 and FY2019 (The actual launch dates varied in accordance with the examination period for regulatory approval in each country)

Diagnostic Equipment Business

- Electro-encephalograph EEG-1290
- Electro-cardiograph ECG-3150
- Ultrasound probe TUP-C035J

Patient Monitoring Business

- Bedside monitors PVM-4000
- Spot check monitors SVM-7200
- Telemetry systems WEP-1400
- Mid-range bedside monitors CSM-1500/1700 series
- Introduce in U.S. market
- Enhance product cybersecurity
- FY2020 H1 Aim at resubmission to FDA in U.S.

Treatment Equipment Business

- AED AED-3101 for home use
- AED AED-3150 with color display
- Defibrillator EMS-1052
- Ventilator NKV-330
- Ventilator NKV-550

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- In this environment, we are continuing to focus on transforming our operations to achieve a highly profitable structure in the 2nd half of FY2019.
- To create high customer value, we introduced various types of new products with high customer value in FY2018 and FY2019.
- We are working on early launch of new business areas such as spot check monitors and in-house ventilators, which were introduced in FY2019.
- As for the introduction of mid-range bedside monitors in the U.S, we aim at resubmission to FDA in the 1st half of FY2020.

2) Measures in the 2nd Half of FY2019

TRANSFORM 2020: Transform operations to achieve a highly profitable structure

2

Improve productivity within the organization

Production and Logistics

Eastern Japan Logistics Center

Full-scale operation in Nov 2019



The Entire Group

- Establish a global ERP system
 - Introduce ERP in Mexico and India
- Simplify administrative procedures between headquarters and domestic sales branches by digitalization



- The measures for improving productivity within the organization are shown above.
- In production and logistics, the Eastern Japan Logistics Center started full-scale operation in November 2019. We aim to reduce logistics costs by shipping medical devices and consumables as a package.
- We are establishing a global ERP system as part of the reform of our operating processes. We will introduce ERP into subsidiaries in Mexico and India in FY2019. In Japan, we are continuing to simplify the administrative procedures between headquarters and domestic sales branches by digitalization.

3) Forecast for FY2019

	FY2018 Actual	FY2019			YoY (%)
		Original forecast announced May 13	Revised forecast announced Jun 17	Revised forecast announced Nov 5	
Sales	178,799	186,000	186,000	186,000	4.0
Domestic Sales	130,223	133,000	133,000	134,500	3.3
Overseas Sales	48,575	53,000	53,000	51,500	6.0
Gross Profit (Gross Profit Margin)	85,987 48.1%	90,200 48.5%	90,200 48.5%	89,800 48.3%	4.4
Operating Income (Operating Income Margin)	15,044 8.4%	16,000 8.6%	16,000 8.6%	16,000 8.6%	6.4
Ordinary Income	15,867	16,000	16,000	16,000	0.8
Income Attributable to Owners of Parent	11,191	11,000	10,700	10,700	-4.4
Percentage of overseas sales	27.2%	28.5%	28.5%	27.7%	

(Amounts of less than ¥1 million are rounded down)

+ ¥1.5 bil from original forecast
- ¥1.5 bil from original forecast
+ 9% on a local currency basis

Breakdown of overseas sales by region

	FY2018 Actual	FY2019 Forecast Original forecast announced May 13	FY2019 Forecast Revised Forecast announced Nov 5	YoY (%)
Americas	23,508	25,500	24,600	4.6
Europe	8,167	8,900	8,600	5.3
Asia	15,096	16,000	15,600	3.3
Others	1,802	2,600	2,700	49.8
Total	48,575	53,000	51,500	6.0

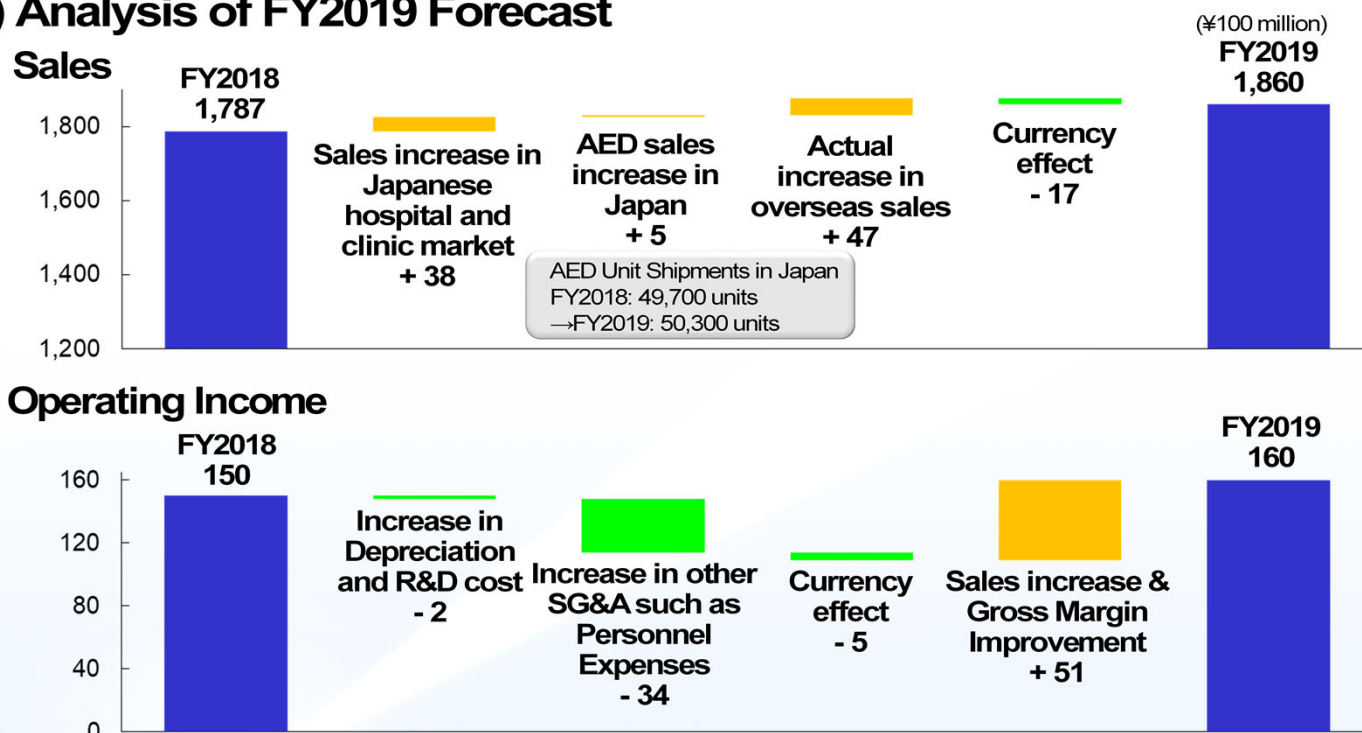
Average exchange rate

	FY2018	FY2019	FY2019	FY2019
1 US Dollar	110.8 yen	108 yen	108 yen	108.5 yen
1 EURO	128.5 yen	125 yen	125 yen	121 yen

FY2019 2H
108 yen
120 yen

- Full-year forecasts of overall sales, domestic sales and overseas sales are expected to be a 4% growth to ¥186.0 billion, a 3.3% growth to ¥134.5 billion and a 6% growth to ¥51.5 billion, respectively. Overseas sales will be a 9% growth on a local currency basis.
- Domestic sales are expected to increase by 1.5 billion from the original forecast, as sales in the 1st half exceeded the plan due to the last minute surge in demand. A reactionary drop is expected in the 2nd half of FY2019.
- Overseas sales are expected to decrease by ¥1.5 billion from the original forecast, as sales in all areas will be lower than expected. In the U.S., the withdrawal of FDA submission is expected to have negative impact of around ¥1 billion. In Europe, the negative impact of yen appreciation against to the euro is reflected in the revised forecast. In Asia, sales are expected to recover in the 2nd half of FY2019, but not enough to compensate for the weak 1st half.
- The forecast for operating income remains unchanged at a 6.4% growth to ¥16.0 billion, as the Company expects a reactionary decline after a rush of demand in the domestic market and some expenses were carried forward to the 2nd half year. The forecasts for ordinary income and income attributable to owners of parent are shown above.
- The assumed exchange rates for the 2nd half of FY2019 are 108 yen to the U.S. dollar and 120 yen to the euro.

4) Analysis of FY2019 Forecast



- As for sales in Japan, sales in the hospital and clinic markets, and AED sales are expected to increase by ¥3.8 billion and ¥0.5 billion, respectively. The forecast for AED unit sales is 50,300 units.
- As for overseas sales, the actual increase in overseas sales will be ¥4.7 billion. Negative currency effect will be ¥1.7 billion.
- As for operating income, both depreciation and R&D costs will increase by ¥0.2 billion. Other SG&A such as personnel expenses will increase by ¥3.4 billion, as the Company plans the establishment of the Eastern Japan Logistics Center, relocations of domestic offices and enhancement of its overseas sales network. Currency effects will have a negative impact of ¥0.5 billion. The positive impact of the sales increase and gross margin improvement will be ¥5.1 billion.

(Ref.) Consolidated Forecast FY2019 by Product Category/ Effect of Exchange Rate

(Amounts of less than ¥1 million are rounded down)

	FY2018 Actual	FY2019 Forecast			YoY (%)
		Original Forecast announced May 13	Revised Forecast announced Nov 5	Composition ratio (%)	
Physiological Measuring Equipment	40,773	41,700	41,850	22.5	2.6
Patient Monitors	61,978	66,150	64,500	34.7	4.1
Treatment Equipment	33,149	34,250	34,750	18.7	4.8
Other Medical Equipment	42,898	43,900	44,900	24.1	4.7
Total	178,799	186,000	186,000	100.0	4.0

(Reference)

Consumables and Services	79,226	83,000	83,100	44.7	4.9
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Annual Estimates of Exchange Rate Fluctuations

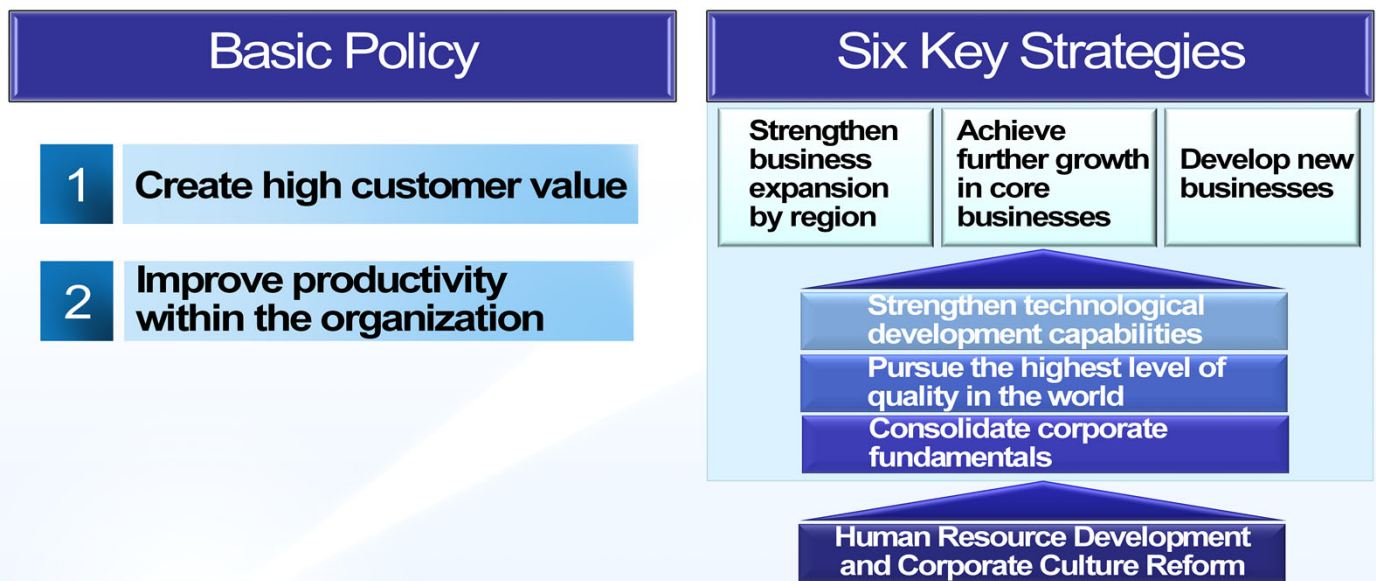
	Sales	Operating Income
1 US Dollar	0.31 bil yen	0.09 bil yen
1 EURO	0.05 bil yen	0.02 bil yen

- The sales forecasts by product category are shown above.
- The sales forecasts for Physiological Measuring Equipment, Treatment Equipment and Other Medical Equipment have been revised based on the strong sales of defibrillators, ventilators and hematology analyzers in the 1st half of FY2019. The sales forecast for Patient Monitors has also been revised, based on the sales forecasts in the U.S. and Asia.

3

Business Strategy

Transform operations to achieve a highly profitable structure



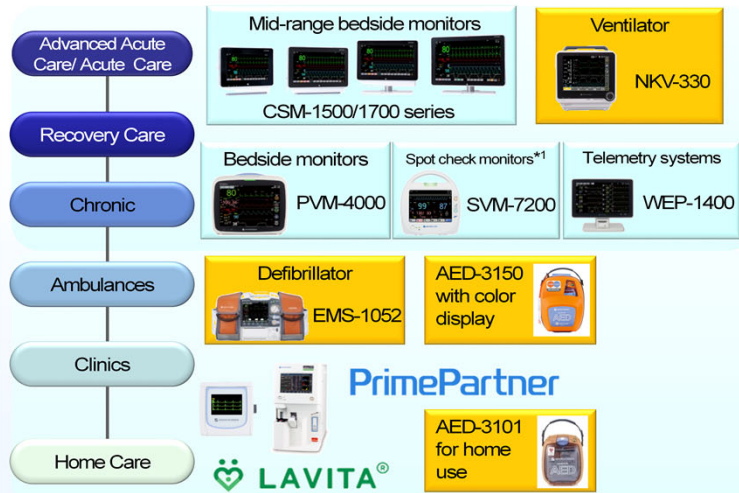
- The Company implemented its three-year mid-term business plan, TRANSFORM 2020, under the two basic policies.
- The strategies “strengthen business expansion by region” and “achieve further growth in core businesses” will be implemented as follows:

Strengthen Business Expansion by Region

Japan

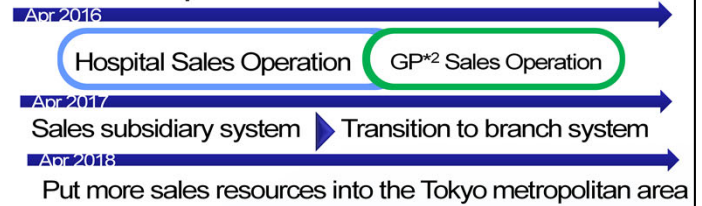
Establish the business foundation for future growth to meet medical needs in an aging society

✓ Strengthen business expansion by market through introducing new products and services



*1 Only for use as a continuous monitor in Japan

✓ Enhance and reorganize sales and services operations



Promote customer value

Strengthen marketing and service capabilities which contribute to improving:

Medical safety | Patient outcomes | Operating efficiency



*2 GP: General Practitioner

- In Japan, the Company strengthens business expansion by market through expanding its product line-up to cover the total care cycle including acute care, recovery care, chronic care and home care, to meet medical needs in an aging society.
- In FY2019, the Company launched a series of new products: bedside monitors, spot check monitors, telemetry systems and the Company's first ventilators.
- In addition to the enhancement of our sales structure, we strengthen our marketing capabilities to promote customer value which contribute to improving medical safety, patient outcomes and operating efficiency. We also expanded our line-up of value-added services using medical device remote monitoring system.

U.S.

Strengthen our business structure in the U.S. which is the world's largest market and a center of leading-edge medical care

✓ Provide solutions that contribute to improving quality and efficiency of medical care

✓ Enable the centralized management of data of all patients in hospital by introducing spot check monitors

Patient Monitor
Market Share Target 12%

Resuscitation
defibtech

Neurology

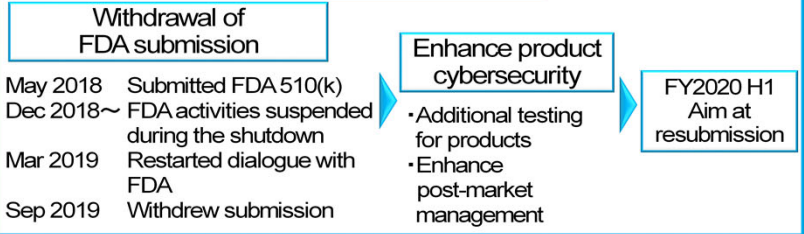
Enter into ventilator market

FY2019 H2 Limited market release will start in the U.S. → FY2020 Nihon Kohden America will be a distributor

NKV-550



Introduce mid-range bedside monitors



[Reference] FDA cyber security guidance
Oct 2014: Final Guidance: Content of Premarket Submissions for Management of Cybersecurity in Medical Devices
Dec 2016: Final Guidance: Postmarket Management of Cybersecurity in Medical Devices
Oct 2018: Draft Guidance: Content of Premarket Submissions for Management of Cybersecurity in Medical Devices

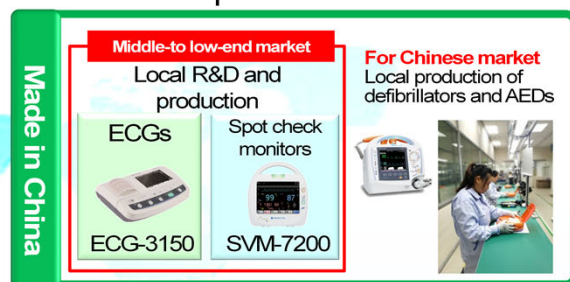
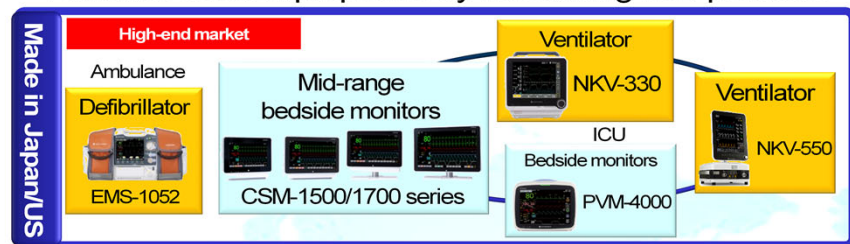
- In the U.S., we continue to focus on the following three business areas.
- In our Treatment Equipment Business, we have made preparations in FY2019 to expand this business by entering the ventilator market. In the U.S., we will start by releasing a ventilator developed at Nihon Kohden OrangeMed in a limited number of hospitals in the 2nd half of FY2019. The official launch will be in FY2020.
- In Patient Monitoring Business, we will launch spot check monitors. By expanding our product line-up, we can provide solutions that enable comprehensive management of all patients' data in the hospital.
- As for mid-range bedside monitors, we withdrew the submission to the FDA and aim at resubmission in the 1st half of FY2020, because the FDA enhanced its cybersecurity requirements in line with the new draft guidance published in October 2018, after the date of our submission. We aim at strengthening our competitiveness by further enhancing product cybersecurity.

Emerging Markets

Conduct strategic business expansion to meet medical needs in high growth emerging markets

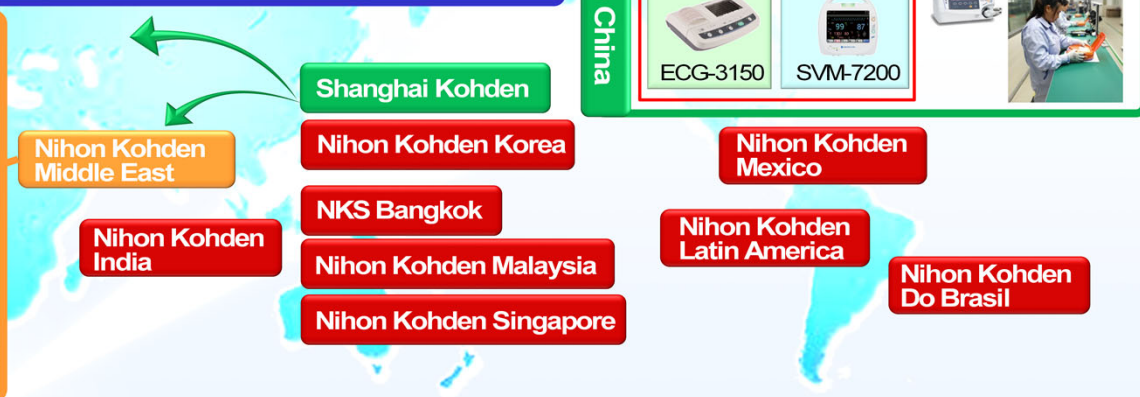
✓ Enhance solution proposals by introducing new products

✓ Expand product line-up manufactured at Shanghai Kohden
 ✓ Increase exports



Saudi Arabia
 Received an order of patient monitors from GOV including 1,000 units of CSM-1700

Dubai
 Establish hematology analyzer reagent factory (Plan to start production in FY2020)



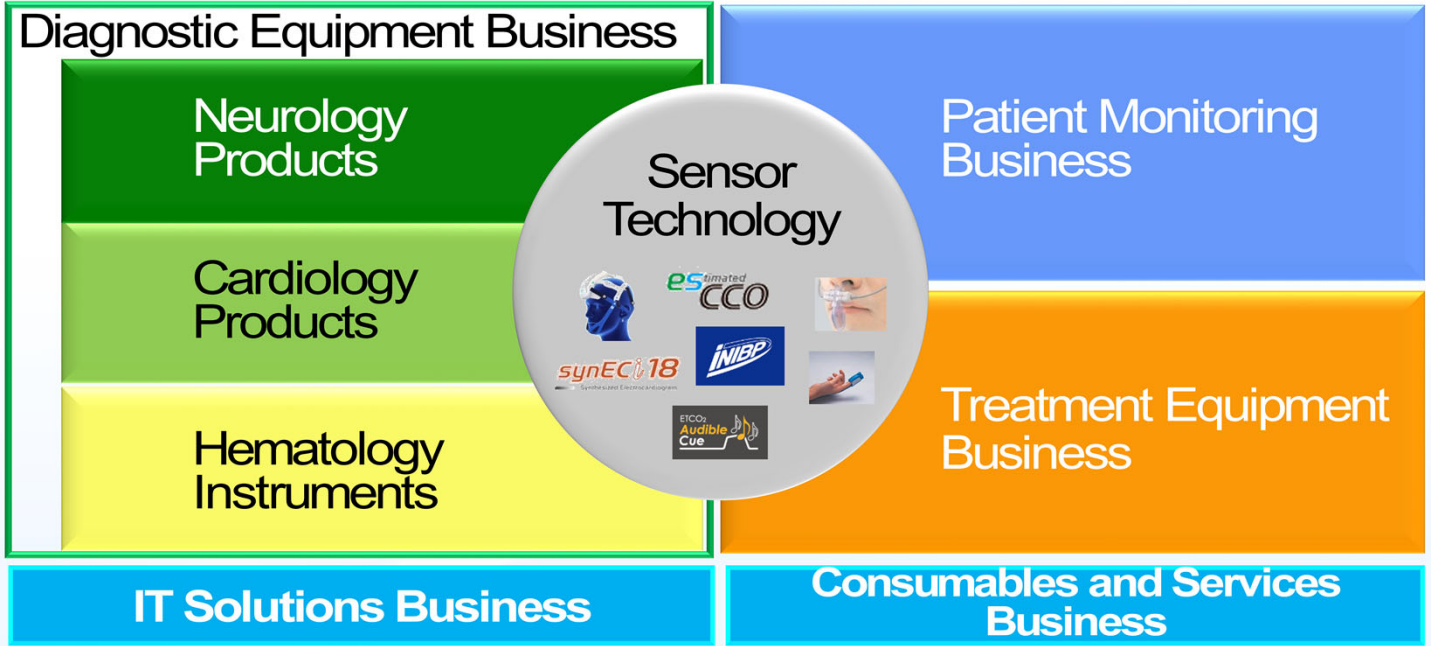
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- In emerging markets, we offer high-value-added products developed and manufactured in Japan and the U.S. to the high end market, where the same level of medical care as in developed countries is required. In FY2019, we launched bedside monitors for emerging countries and two models of in-house ventilators. We also plan to launch a defibrillator in the 2nd half.
- In the middle to low-end market, we offer high-cost-competitive products developed and manufactured in Shanghai. In FY2019, we launched an electrocardiograph and spot check monitors. We also started local production of defibrillators and AEDs for the Chinese market. In the Middle East, we received a large order of patient monitors from the government in Saudi Arabia. Our presence is increasing in this country. The reagent factory in Dubai is preparing to start production in FY2020.

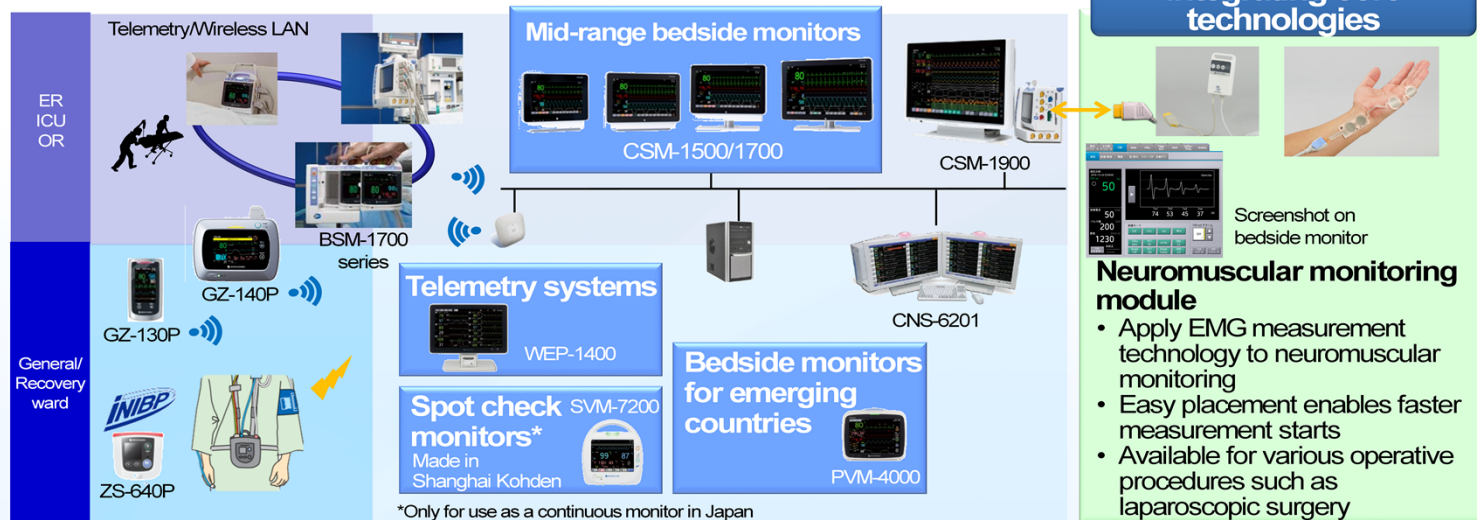
Achieve Further Growth in Core Businesses



- ✓ Provide monitoring solutions that contribute to improving the quality and efficiency of medical care and patient safety

Expand product line-up and enhance network systems

Add high value by integrating core technologies



- In our Patient Monitoring Business, we will expand our product line-up and strengthen our competitiveness by enhancing networking capabilities.
- In FY2019, we launched telemetry systems, spot check monitors and bedside monitors for emerging countries.
- As a new option, we also launched a neuromuscular monitoring module for monitoring muscle relaxation in the perioperative period. EMG measurement technology, which is one of our core technologies, was applied to the development of this module. The module not only allows a faster start to measurement by enabling easy placement of electrodes, but is also adaptable to various operative procedures.

Provide total solutions in resuscitation field

Ambulance 



Defibrillator for ambulance
EMS-1052

- Pursuit mobility by realizing most compact & lightest body
- Enhance usability and monitoring functions
- Add high value by unique technologies

synECG 18
Synthesized Electrocardiogram

Synthesized 18-lead ECG*1

iNIBP

ECO Audible Cue

Help manage ETCO₂ during manual ventilation by providing sounds

Create a new ventilator business

1. Introduce NPPV*2 Ventilator

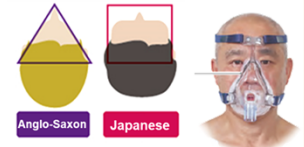
Developed at Advanced Technology Center

Target: General ward

Launched in Japan, Europe, and emerging countries in FY2019 Q1

[Patient outcome] Improve QOL of patients

- Design original masks which fit the skeletal structure of Japanese faces
- Improve patient comfort, and reduce air leaks and risk of skin problems by improving the fit with the face



Anglo-Saxon

Japanese

[Medical safety]

Provide safe respiratory care

- Enables monitoring SpO₂ and CO₂ during NPPV



NKV-330

*1 Measurement method to derive right-side and posterior waveforms from the standard 12-lead ECG

*2 NPPV (noninvasive positive pressure ventilation) is artificial respiratory management which doesn't require intratracheal intubation or tracheotomy

- In our Treatment Equipment Business, we launched a defibrillator for ambulances in Japan. The lightest weight and most compact body lead to increased mobility. The usability is also improved. We also strengthened the monitoring functions by adding our unique technologies such as iNIBP, our original blood pressure measurement method, and synthesized 18-lead ECG. Hereafter, we will launch this product in Europe and emerging countries.
- The Company's first in-house NPPV ventilator provides noninvasive positive pressure ventilation using a mask which doesn't require intratracheal intubation. It is used mainly for patients in general wards. Our original mask has also received high evaluation as the mask is gentle to patients and reduces air leaks. After initially releasing the ventilator in Japan, we started sales activities in Europe and emerging countries as well.

Create a new ventilator business

2. Introduce Nihon Kohden OrangeMed Ventilator

Developed and produced in U.S.

Target: ICU

Launched in emerging countries in FY2019 Q2

Planned to launch in Europe and start limited market release in U.S in FY2019 Q3

[Patient outcome]
Protect patients' lungs

- Reflect advice from leading doctors in respiratory care management
- Provide applications for protecting against ventilator-induced lung injury

Gentle Lung™

**[Medical safety]**
Provide safety respiratory management

- Enables monitoring SpO₂ and CO₂ by adding our unique technologies

**Reduce infection risk**

- Enables operation from out of ward

Protective Control™



NKV-550

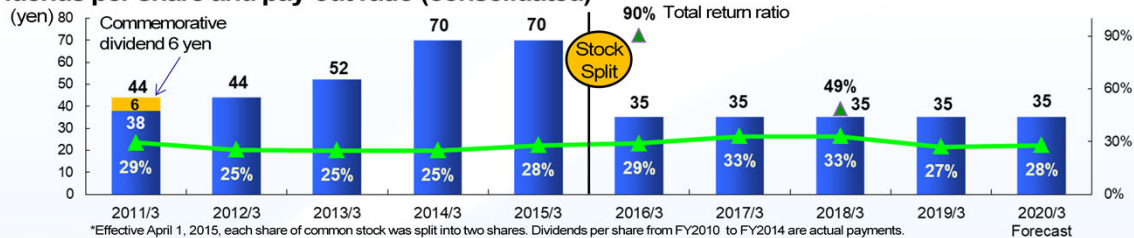


- Additionally, we launched another ventilator developed at Nihon Kohden OrangeMed, which is a wholly owned subsidiary that was established in the U.S. in 2015. This ventilator for patients in ICUs was developed by incorporating advice from leading doctors in respiratory care management.
- We aim to provide more safety respiratory management by providing applications for protecting against ventilator-induced lung injury as well as using our unique technologies such as SpO₂ and CO₂ monitoring.
- This ventilator was launched in emerging countries and Europe. It received a high evaluation, which led to its smooth market introduction. In the U.S., limited market release will start in the 2nd half of FY2019 and the official launch will be in FY2020.

Basic Policy on Distribution of Profits and Dividends

Investments for Growth	Continue investments necessary for future business expansion			
	R&D investments	Capital investments	M&A and alliance	Human resource development
Shareholder Return	✓	Maintain stable and continuous dividend payments		
	✓	A target consolidated dividend payout ratio of 30% or more		
	✓	Cash dividends are the basis of shareholder return, and share buybacks are considered in a flexible manner.		

Dividends per share and pay-out ratio (consolidated)



Repurchase and cancellation of treasury stock

Mar 2, 2018
Repurchase
500k shares



May 21, 2018
Cancel
1,000k shares



Amount of treasury stock: 3,570k shares
(stockholding ratio: 4.0%)

- Our basic policy on distribution of profits and dividends is to maintain stable and continuous dividend payments while retaining necessary reserves for future business expansion such as R&D investments, capital investments, M&A and Alliance, and development of human resources. The target consolidated pay-out ratio is 30% or more.
- Cash dividends are the basis of shareholder return, and share buybacks are considered in a flexible manner.
- Full-year dividends for FY2019 will be 35 yen, and the payout ratio will be 28%.

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